

Mobil Exploration & Producing U.S. Inc.

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March 14, 1996

David S. Guzy
Minerals Management Service
Royalty Management Program
Rules and Procedures Staff
Denver Federal Center, Building 85
P. O. Box 25165, Mail Stop 3101
Denver, Colorado 80225-0165

Re: Advance Notice of Proposed Rulemaking
Valuation of Oil from Federal and Indian Leases
30 CFR Part 206
60 FR 65610 - December 20, 1995



Gentlemen:

As a significant producer of federal and Indian oil, the issue of oil valuation is important to Mobil and we appreciate the opportunity to comment on this advance notice of proposed rulemaking (ANPR).

Mobil believes the posted oil price has historically been representative of fair market value at the lease. If the MMS has a concern that this will not continue to be true in the future, it could pursue taking its royalty oil in-kind and bidding it out to available purchasers in the area. This would alleviate any concerns regarding oil valuation that the MMS might have, since it would be assured of receiving fair market value for its oil through arm's-length contracts between itself and willing purchasers at or near the lease.

There may be other valuation options available as well. Oil valuation is an extremely complex issue, however, and the existing regulations, which were crafted after many years of careful consideration by the agency, should not be lightly abandoned.

Mobil is currently involved in litigation regarding oil valuation. Because this litigation is still in its initial stages, Mobil believes that it would be inappropriate for it to comment further on the ANPR at the present time. However, we hope you understand that Mobil strongly supports the notice and comment provisions of the Administrative Procedures Act.

Respectfully submitted,

A handwritten signature in cursive script that reads "Ron G. Kissick".

Ron G. Kissick